GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2095
ANSWERED ON:06.05.2016
Short Term Loan Distribution
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Will the Minister of FINANCE be pleased to state:

(a) whether cooperative credit institutions are incurring losses due to short term loan distribution to farmers at concessional rates;

(b) if so, the details thereof;

(c) whether the Government intends to compensate for the said institutions, if so, the details thereof; and

(d) the steps taken/being taken by the Government to revive the loss making cooperative institutions in this regard?

Answer

The Minister of State in the Ministry of Finance

(a) to (c) Compensation in the form of interest subvention and concessional refinance is available to cooperative banks for disbursement of short term crop loan upto Rs.3.00 lakh at 7% p.a.Under the Interest Subvention Scheme for Short Term Crop Loans upto Rs.3.00 lakh, the Cooperative Banks are given a subvention of 2% by the Government in respect of their own involved funds, for providing crop loans at the interest rate of 7% p.a. to farmers. Further, the cooperative banks get short term refinance from National Bank for Agriculture & Rural Development (NABARD) at the concessional interest rate of 4.5% to the extent of 30%-60% (depending on factors such as NPA level, location, etc.) of ground level credit flow.

(d): The steps taken by Government for revival of cooperative banks are as under:

i. Based on the recommendation of Vaidyanathan Committee (VC-I), Government implemented a revival package for Short Term Cooperative Credit Structure (STCCS) encompassing legal and institutional reforms, measures to improve the quality of management and financial assistance aimed at enabling democratic, self-reliant and efficient functioning. Under the revival package, Government of India released Rs. 9,245 crore. The said package was closed on 30th June, 2011.

ii. Recognizing the need to revamp ailing Cooperative Banks so that they are able to cater to the needs of farmers at their doorstep, the Government in 2014 announced implementation of the Scheme for Revival of 23 Unlicensed District Central Cooperative Banks (DCCBs) in four States viz. 16 in Uttar Pradesh, 3 in Jammu & Kashmir, 3 in Maharashtra and 1 in West Bengal. The total capital infusion required for revival of these 23 DCCBs was assessed atRs. 2375.42 crore, including Rs.673.29 crore from Central Government, Rs.1464.59 crore from the concerned State Governments and Rs.237.54 crorefrom NABARD. The entire share of Government of India has been released.